
Finance Committee

HB 1561

Brief Description: Increasing the public utility tax exemption threshold and annually adjusting the threshold for inflation.

Sponsors: Representatives Jacobsen, Griffey, Schmidt, Riccelli, Eslick and Ryu.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">Increases the public utility tax monthly gross income exemption threshold from \$2,000 to \$4,000 and requires the threshold to be annually adjusted for inflation.

Hearing Date: 2/7/23

Staff: Kristina King (786-7190).

Background:

Public Utility Tax.

The gross income derived from the operation of publicly and privately owned utilities is subject to the public utility tax (PUT), unless otherwise exempt. The tax is imposed in lieu of business and occupation (B&O) tax and is applied only on sales to consumers. Other income of the utility, such as retail sale of tangible personal property, is subject to the B&O tax. There are six different PUT rates, depending on the specific utility activity. The rates are:

- 3.852 percent on telegraph companies, distribution of natural gas, and the collection of sewage;
- 3.8734 percent on the generation or distribution of electrical power;
- 0.642 percent on urban transportation and watercraft vessels under 65 feet in length;
- 1.926 percent on motor transportation, railroads, railroad car companies, and all other public service businesses;

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- 5.029 percent on the distribution of water; and
- 1.3696 percent on log transportation.

A taxpayer who engages in one or more businesses subject to PUT is fully exempt from the tax if their total gross income is \$2,000 or less per month. Any taxpayer that has a total gross income greater than \$2,000 per month does not receive an exemption or deduction under this provision.

A business does not have to file an excise tax return for PUT if the business does not owe other taxes or fees to the DOR and has annual gross proceeds of less than \$24,000.

Summary of Bill:

The \$2,000 gross income exemption threshold for PUT tax is increased to \$4,000 and is required to be annually adjusted for inflation.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2024.